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DSN Forecasts 1990 Economic Climate—page 3

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SECOND CLASS

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Berrymore the Holiday Hound (center), representing Venture's selection of Christmas plush toys, practices his footwork with Moostle Toe (l.) and his partner Holly.

Venture Plush Hound Howls Holiday Cheer

By Richard C. Halverson

O'FALLON, Mo. — For the second year in a row, Venture is promoting its Christmas plush by dressing a demonstrator in an 8-foot tall inflatable costume patterned after the figure.

Venture has dubbed its 1989 Christmas plush, Berrymore the Holiday Hound, which resembles the Snoopy pooch. It carries a retail price of $5. Venture also is bring-

(Continued on page 29)

Zayre Comes Back to Life; Poised to Be Urban Force

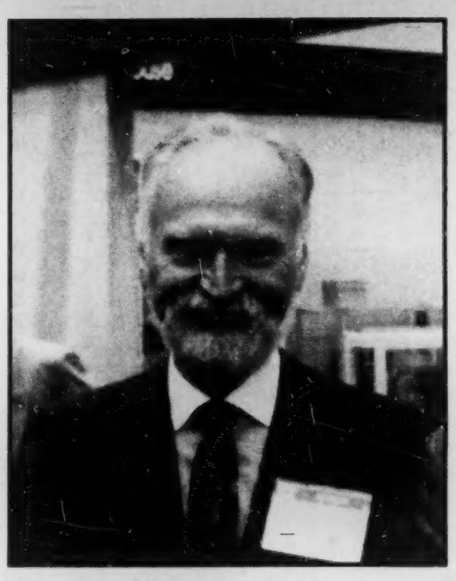
By Peter Hisey

ROCKY HILL, Conn. — Like the fabled Phoenix, the venerable Zayre chain died in late October, then rose from its own ashes.

On Oct. 26, 254 Zayre stores changed their name to Ames, but a new $700 million Zayre chain, based on 61 high-volume urban Zayre stores, was born. And in the future, it may become a significant growth area for parent Ames Department Stores.

According to Steve Jelin, the Ames senior vice president who heads the Urban Zayre Division, Zayre will be run as a separate merchandising organization, with vertical buying, merchandising, advertising and distribution functions run by Zayre, while Ames supplies store operations, personnel, warehousing and technological systems.

And no two stores will be identical. "With 61 stores, we can look at each, market by market," he said. "Urban customers have very individual tastes, and with a chain this size, we can cater to them." Zayre's markets include Miami, Washington, D.C., Chicago, and Cleveland, which contain minority groups including Mexican, Cuban, Puerto Rican, Haitian, American Black, Jamaican, Korean, Chinese, and several others. "All have very individual tastes and needs," Jelin said.



Steve Jelin

The most immediately visible difference at Zayre stores chainwide will be a greater emphasis on apparel. According to Ames president and ceo Peter Hollis, soft lines will account for 60 percent or more of the product mix in the future. Areas that will give up ground for this increase: paint, hardware, lawn & garden, sporting goods and other hard lines areas of lesser importance to urban dwellers.

"Urban customers have very different priorities," said Jelin. "They don't need $300 gas grills and patio sets and they don't want country geese on their sheets and comforters. We'll merchandise to suit their needs and tastes."

Another major change will be a new prototype, the first of which (a retrofit) will debut on Nov. 19, with the first ground-up example due in Cleveland next fall. The new format will feature more and wider aisles,

(Continued on page 4)

TSS Is Slated To Expire By Mid-1990

By Laura Liebeck

BROOKLYN, N.Y. — TSS is liquidating the merchandise at 11 of its 14 stores and will cease operation at those units by the end of this year.

The three remaining stores will be liquidated by next June, ending the 60-year retailing history of the New York/Long Island area's most prominent discount department store chain.

So far, two of the 11 stores currently selling off their merchandise have been sold to other retailers: one to Alexander's (see story, page 3) and the other to a still unnamed operator.

Potential buyers for the remaining units are being reviewed and "we'll be announcing joint venture projects soon," said Jeffrey S. Goldstein, chief financial officer of Resource Holdings.

Earlier this year, TSS

(Continued on page 30)

Quake Shakes Up Bay Area Retailing

The Big One Catches DSN Reporter Clothes-Shopping at Nordstrom

By Pamela Meek

I've lived in California all my life. I always wondered where I would be when a big earthquake hit. I never thought I would be shopping in Nordstrom.

I had just spent nine hours at the San Jose Convention Center covering the Scan-Tech meeting for *DSN*: listening to an informative talk by "Wall Street Week's" Louis Rukeyser, walking the show, and attending a seminar where Wal-Mart's warehouse systems project manager Ron Moser spoke on radio frequency data communications.

Looking through the phone book, I found there was a regional mall—Valley Fair—close by, so I decided to stop by there before returning to my hotel. A Nordstrom fan since I encountered the chain in Washington state, I headed to this store first. It must have been about 4:45 p.m.

The store was typically busy, I went up to the third floor and found some clothes to try on in the Brass Plum department. It now had to be pretty close to 5 p.m.

I slipped out of one outfit and tried on a pair of acid-washed Levi's and a bright purple and pink stripped long sleeve T-shirt.

Then at 5:04 p.m., the building started to shake. I looked up at the ceiling. At first I didn't think it was an earthquake. I thought maybe it was someone working on the roof or a sonic boom.

The shaking got worse. Now I knew it was an earthquake. Ceiling panels started to fall—on my head. My mind ran through the list of things you're supposed to do during an earthquake. But there was no desk to crawl under or a stable doorway to stand under, so I just put my arms over my head.

I didn't think it could, but the quake got stronger. I was leaning against the back wall and now I slid onto a corner seat; my arms were still over my head, and I leaned over a bit, resting my elbows on my thighs. (A day after the quake

On firmer ground: Pam relaxes in her quake outfit.

I noticed that I had a big bruise on each thigh just above my knees where my elbows dug into my legs.)

Although later reports said the earthquake lasted for only 15 seconds, it seemed much longer. As the building continued to shake, lots of thoughts raced through my head. Only ceiling panels were falling on me, but I knew that if it got any worse, a lot more would start crashing down. The lights went out. There were no windows; it was pitch black. I reminded myself that a generator would kick in, and emer-

(Continued on page 8)

Area Discounters Clean Up, Pitch In With Donations

SAN FRANCISCO — In addition to attending to their own cleanup efforts, many discounters with stores in the Bay Area are also rallying to help the region recover from last month's devastating earthquake by donating both funds and needed supplies.

K mart—which operates about 20 discount stores in the Bay Area, along with some 65 Pay Less drug stores and 65 Waldenbooks units—contributed $100,000 to the American Red Cross' relief fund. The donation follows the $70,000 K mart contributed to the Red Cross' Hurricane Hugo relief effort.

Company spokeswoman Leslie Kota said K mart's stores suffered only minor damage, and most stores were open almost immediately after the earthquake.

Target Stores, along with its sister division Mervyn's and parent company Dayton Hudson, also made a $100,000

(Continued on page 30)

MARKETWATCH

Makro Mainstreams New Clubs

HARTFORD, Conn. — Makro, the membership warehouse club chain that is 51 percent-owned by K mart, has begun transforming itself into a more typical wholesale club operation. A new membership policy, instituted with the opening Nov. 1 of its new Hartford, Conn., unit, establishes three classes: business members who pay a $25 annual fee for the privilege of buying goods at the ticketed price; group members who pay no annual fee but must purchase merchandise at 5 percent above the ticketed price; and elite members, group members who elect to pay a $25 membership fee so they can purchase goods for the same price as business members. Previously, Makro did not charge a fee and everyone paid the ticketed prices. The 150,000-square-foot Hartford unit is the Cinncinati-based Makro's first in New England and seventh overall. It contains less than half as many sku's as existing Makro stores—10,000 sku's compared to 25,000. Additional openings on Nov. 15 in Toledo, Ohio and Flint, Mich., will feature the new membership policy and slashed product selection. In addition, the units will be scaled back to 100,000 square feet in size. Ten additional units are slated for 1990.

Wal-Mart Nears Sale of dot Drug Chain

LENEXA, Kan. — Wal-Mart appears to be nearing the end of its search for a buyer of its 14-store dot Discount Drug chain. Industry sources suggest that Jerry Gaddis, vice president, merchandising for the chain, will be involved in a management buyout. Gaddis refused to confirm or deny that report but said that an announcement about dot's status might be forthcoming later this month. In a previous move out of specialty retailing, in favor of its core business, Wal-Mart sold its three-unit Helen's craft store chain.

Provigo to Divest Non-Food Operations

MONTREAL — Provigo, the $6.3 billion diversified Canadian food distributor and retailer, plans to divest its non-food operations, including the Consumers Distributing (Canada) and Sports Expert chains. Provigo's executive vp, Henri Roy, who heads up the company's U.S. operations, reportedly is trying to form an investment group to buy CD (Canada) and Sports Expert. Provigo's U.S. ventures included CD (U.S.) before the Edison, N.J.-based cataloger was sold last year.

Heck's Amends Corporate By-Laws

NITRO, W. Va. — Heck's has amended its corporate by-laws to set limits on accumulation of its stock in order to preserve its tax loss carryforwards that could be useful in acquiring other companies. After deducting for debt forgiveness, Heck's now estimates those carryforwards at $75 million. Heck's, which emerged from Chapter 11 bankruptcy Sept. 28 of this year, has set 4.5 percent as the limit any one investor may acquire.

Members to Benefit From Sam's New Plan

BENTONVILLE, Ark. — Sam's Wholesale Club is offering members two new benefits. The first is a limited five-year parts and labor protection plan for traffic and major appliances, audio and video and lawn, garden and power tools. The plan, provided by Protection Plans of America, is available at five different price points, depending on the cost of the merchandise. The other, offered only to business and advantage members, is a discount on long-distance phone service from MCI—10 percent on daytime domestic and international rates, 4 percent during evening hours and 3 percent on night and weekend calls.

New Marking Technology for Toys 'R' Us

ROCHELLE PARK, N.J. — Toys 'R' Us has broken new ground in identifying and marking merchandise by phasing in a customized software program that will enable each store to independently create and print shelf tags, display signs and self-service tickets using various size characters, different type fonts, lines, boxes and bar codes. Developed by Integrated Software Design of Mansfield, Mass., the software will be installed on a DEC Microvax/LNO3+ laser printer system at each store.

Odyssey Changes Funding Plan for Caldor

NEW YORK — Odyssey Partners is turning to bank financing from Citibank, plus loans from Donaldson, Lufkin and Jenrette Capital Corp., to fund the leveraged buyout of Caldor from May Department Stores. The New York investment group, which is heading the $552 million cash and debt deal, switched its financing plans when the junk bond market started reeling last month. DLJ and Caldor management will get unspecified shares in the new Caldor, while May will retain a 20 percent interest.

Ross Rolls Out Prototypes

Off-Price Apparel Retailer Adds 9 New, Improved Units

NEWARK, Calif. — Ross Stores is pursuing the implementation of its new store format with the recent roll out of nine new locations.

Earlier this year the off-price apparel chain introduced its new prototype, which features more departmentalization, updated fixtures and graphics, some new product categories and a more department store-styled cosmetics and jewelry area.

The 156-store chain's newest stores feature the new improvements and are mostly located in existing markets. Two new San Francisco Bay Area stores, bring Ross' market total to 27 locations. The opening of four new Los Angeles stores gives Ross 33 locations in that area. The chain's new openings also include the first of four sites planned for Miami, bringing Ross' Florida coverage to 20 stores, and the company also recently opened a new site in Austin, Texas.

Ross' new stores range from 18,000 square feet to the company's new norm of 25,000 square feet. Previously, Ross' store average was 30,000 square feet. Along with the introduction of its new format, the company has also tightened its inventory, reduced its back room space and cut down on its total square footage, while only mildly reducing its actual selling space.

In addition to the new stores opening under Ross' updated format, the chain expects that some eight existing stores will be remodeled to the new prototype by year-end.

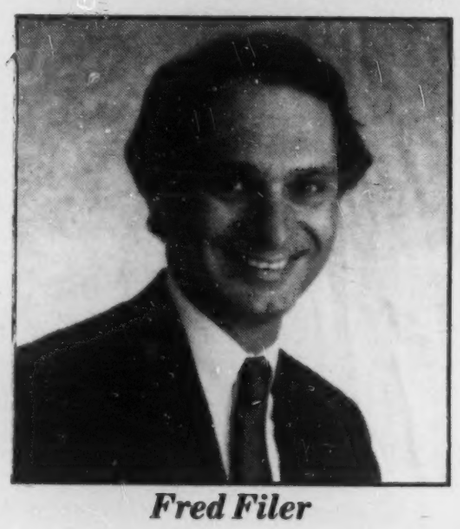
Ross also recently announced the creation of its new "Gift Express" department, which opened in many of the new fall stores and includes both gift and decorative items.

Full Line of Perishables Added to New PACE Unit

PACE, recently acquired by K mart Corp, opened its 43rd club October 21 in Hatboro, Pa. Proud of the club's full perishables program, which includes meat, baked goods and produce, are (l to r): Brad Gordon, senior vp/operations; Charles Steinbrueck, president; and Tom Daniel, senior vp/merchandising. See editorial, page 6.

Filer, Failla Promoted to New Posts

NEW YORK — Fred Filer, publisher of *DSN* since 1982, has been promoted to vice president of the *DSN* group of publications. In this capacity, Filer will function as group publisher of *HomeMarket Trends*, the exciting new publication for the home fashions industry. He will also continue to co-publish *Food Merchandising* and supervise classified sales for all Lebhar Friedman publications. Filer has been with *DSN* since 1977.



Fred Filer

John Failla, named associate publisher of *DSN* in early 1989, has been promoted to publisher. Failla previously served as *DSN*'s national sales manager and as associate publisher of *HomeMarket Trends*. "Throughout his career at Lebhar-Friedman, John has demonstrated a high degree of loyalty, intelligence, professionalism and hard work," said Filer, in announcing the promotion. "John has performed exceptionally well in every assignment he has been given." Failla joined L-F in 1982 as a sales representative for *DSN*.

John Failla

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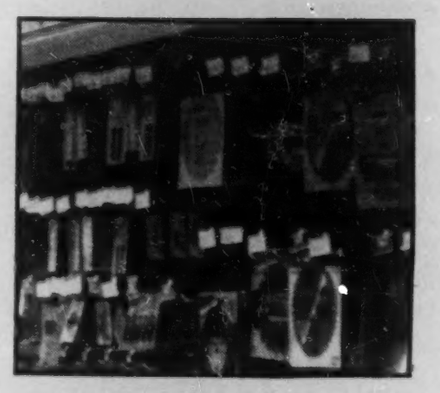

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Industry Edges Upward After Soft Landing

After Avoiding Recession in '89, Better '90 Ahead

By Richard Mount
Special to DSN
DSN Nationwide Report

The economy has successfully navigated the narrow straits between recession and inflation in 1989, achieving the desired "soft landing."

Higher rates reduced the demand for interest-sensitive products such as housing and autos, while capital spending and exports sustained overall business output and employment. Inflation, after running at a heady pace in the opening months of the year due to higher energy and agricultural prices, seems under control.

Behind this soft landing lies a transition in the economy as well. Consumer spending weakened in 1989 while the manufacturing sector remained relatively strong. But slower overall demand is now taking its toll on capital spending plans, and the higher dollar will adversely impact net exports. In short, the economy will continue to post subpar gains through 1990, although consumer spending will be on the rise while capital spending softens.

National Economy Changes

For the discount store industry, these changes in the national economy will increase overall demand somewhat in 1990 over the projected 1989 pace, but not dramatically. Regional variations will again shift, this time away from the capital producing areas, towards the South and Mountain states.

Through the first half of 1989, the economy has slowed from its rapid gains in the near past. After increasing 3.7 percent in 1987 and 4.4 percent in 1988, real GNP during the first half of 1989 showed an average increase of only 3.3 percent from the first half of a year ago. Gains will be even lower in the second half of 1989, reducing the annual rise for 1989 to only 2.7 percent.

Capital spending will be a major factor in sustaining the advance in the economy during the second half of 1989. The latest government survey of business investment plans for 1989 shows an increase in spending of 7.7 percent above the inflation rate. Investment has been improving for the last few years. After declining 3.3 percent in 1986, it increased 3.9 percent in 1987 and 8.4 percent in 1988.

Next year is likely to be another year of slow growth, but without a business correction. Capital spending on equipment won't advance as rapidly as in 1988 or 1989, and exports will be pressured by the current rise in the dollar's value. The softness in non-residential construction and multi-unit residential housing should persist. Defense spending will come under increased scrutiny as a means to hold the budget deficit in check.

The big question for 1990 is the direction of interest rates. Our current outlook calls for rates to be slightly higher than they are now, a negative factor for housing and other big ticket consumer purchases. Should rates decline, the economy and discount store sales will be stronger.

The new source of strength in the economy in 1990 should be the consumer. Spending has been held somewhat in check in 1989, as consumers put their finances in order. Consumers' savings rates have risen to 5.5 percent in the first half of 1989, up from a 4.2 percent average during 1988 and 3.2 percent in 1987.

Inflation will remain the largest single determinant of the direction of the economy through 1990. Fears of higher prices will force the Federal Reserve Board to tighten credit, increasing rates, as well as lowering the overall economy.

Consumer Price Index Rises

Inflation rose rapidly in the first five months of this year, pushed mainly by higher energy and agricultural prices. The consumer price index was rising at a 6.8 percent annual rate in this period, the producer price index by 8.9 percent.

Recently, price increases have come down, the producer price index was down for the latest three consecutive months. Neither pattern tells the entire story, however.

The volatile food and energy components accelerated the rate of inflation in the first half while braking it sharply in recent months. While in the last three months the total producer price index declined, it would have risen sharply in two of these months without the declines in the food and energy components.

The major force for inflation in the economy is not food or energy, but labor. Shortages exist in most major markets, increasing wage demands.

At the same time, fringe benefits such as health care are on the rise. While the usual inflation indexes have whipsawed this year, the trend in overall labor costs, including benefits, has remained about 5.4 percent. This is a better measure of the underlying inflation forces, not the month-to-month changes in the total producer price index.

Pressure on Labor Demands

Additional pressure will be placed on labor demands through 1990 because labor has not been able to get wage increases that exceed inflation. Real wages, over the last three months, have averaged a decline of 1.5 percent from a year ago. It will require a continuation of the current slow growth in GNP to reduce the pressure in labor markets to allow the underlying rate of inflation to come down.

While the consumer price index rose 4.2 percent in 1988, it should be up 5 percent in 1989 and 5.3 percent in 1990.

The trend for interest rates through 1990 is apt to revolve about inflation. Due to current labor costs and likely pressure for higher future settlements in the near term, the inflationary pattern for 1990 is for slightly higher price increases. The Federal Reserve will therefore tighten credit anew, and rates will rise.

The increases in rates will be moderate, however, because the slower growing economy will put less pressure on currently strained markets. Long-term rates will increase about 50 basis points, short term somewhat more.

The ongoing decline in housing continues. After falling 8.2 percent in 1988, starts are down 3.9 percent year-to-date in 1989. Starts are likely to be down 4.8 percent this year, with single-family units bearing the brunt of the weakness, off 5.3 percent.

For 1990, starts will continue to decline because of the expected upturn in mortgage rates. Because inflation is likely to be slightly higher, the upturn in rates will be small and the falloff in housing is likely to be another 4.7 percent.

(Continued on page 10)

Richard Mount is president of Mount Economic Consulting, a firm specializing in construction, regional and retail trade economics. For discount store sales, this report utilizes the definition and history of full-line discount stores developed by Discount Store News.

Discount Store Sales by Region
(in $ Millions)

	1987	1988	1989	1990
United States Total	$84,000	$87,400	$90,500	$93,900
New England	6,384	6,564	6,697	6,873
Middle Atlantic	11,054	11,327	11,602	11,944
East North Central	15,757	16,248	16,842	17,503
West North Central	8,346	8,600	8,914	9,268
South Atlantic	13,117	13,530	14,018	14,573
East South Central	7,157	7,385	7,674	7,935
West South Central	10,799	11,091	11,530	11,982
Mountain	4,551	4,658	4,869	5,089
Pacific	7,734	7,997	8,353	8,733

Source: DSN/Mount Economic Consulting

Alexander's Readies First New Outlet in a Decade

By Kenneth M. Chanko

NEW YORK — As part of what chairman Robin Farkas called a "commitment to retailing in New York," Alexander's will open its first new store in 10 years next May.

The new 147,000-square-foot unit will be the moderately priced department store chain's third unit in the Bronx, the retailer's home base. The new store will be inside a former Times Square Store at Bruckner Blvd. and White Plains Road in the Castle Hill section of the East Bronx, which, coupled with the addition of a store in Yonkers, N.Y., gives the retailer "a four-corner presence" in the market north of Manhattan.

Farkas, who presided over a press conference here late last month, estimated the total investment at $6 million to $7 million, which would include the costs of converting the two-level facility to an Alexander's. He added that the financing will be generated internally.

Farkas also added that he's had his eye on that store for more than 10 years, and mentioned that it had been a Korvettes before TSS took it over.

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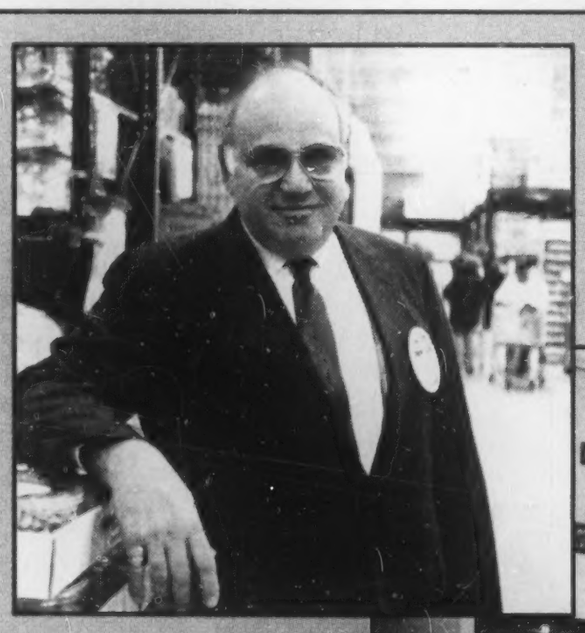
Wholesale Depot Opens First of Small-Size, Big-Results Clubs



Chairman Mervyn Weich (inset), believes that Wholesale Depot can be profitable in small markets even if competition intensifies.
(DSN photos)

By Mary Ellen Kelly

ERIE, Pa. — Wholesale Depot, a new warehouse club concept headed by former executives of BJ's Wholesale Club, opened its first store here last month as it pursues an expansion strategy aimed at growing in relatively small markets.

The next Wholesale Depot is slated to open next month in Bangor, Me. Four 1990 openings will include units in New London, Conn., Portsmouth, N.H., and Scarborough, Me.

Chairman Mervyn Weich, former president of BJ's Wholesale Club, and president Robert Miles, BJ's former vp, gmm, said the downsized club plans to add five units in 1991 and six in 1992. The company hopes to be operating 21 units by 1993.

Wholesale Depot offers members the same general merchandise categories as other membership warehouse clubs, but utilizes less space—60,000 square feet com-

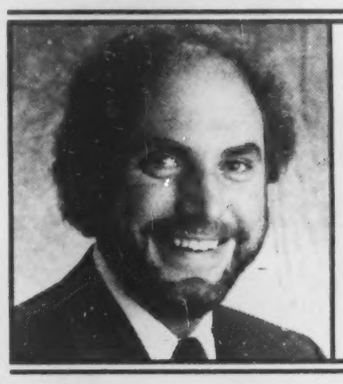
(Continued on page 29)

EDITORIAL

PACE Gives K mart Vehicle for Growth

Four days after K mart announced the purchase of PACE last month, I had the opportunity to talk with Charles Steinbrueck, president of the membership warehouse club chain headquartered in Denver.

We met at the grand opening of PACE's 43rd club in Hatboro, Pa., about 30 miles northwest of Philadelphia. Steinbrueck was particularly happy for obvious reasons. And even the heavy rains that day didn't dampen his spirits, nor did it keep curious customers away.



TONY LISANTI
Editor

"We believe there is a great synergy between K mart and PACE," Steinbrueck said, with the enthusiasm of a head coach following a big trade. "K mart has demonstrated through previous acquisitions that they believe in working very closely with existing management. They respect the management team that has built the business and were attracted to PACE for more than just the property."

And for K mart, the key to expanding the company in a booming segment of retailing that they desired to enter for several years is just that: Simply, leave it alone!

Steinbrueck, who was one of six nominees for *DSN's* 1989 Discounter of the Year award, has been with PACE since the company started in 1983, only a few months after the first Sam's opened. He is particularly proud of the new club's full perishables program that includes fresh meat, baked goods and produce as well as the use of electronic kiosks in tires and jewelry. Both these features, he said, are key factors for the future growth of the concept.

PACE is the final piece of the puzzle that positions K mart for a major thrust into food retailing in the 1990s: It establishes the retailer as an instant leader, more so than Makro did, in the warehouse club segment; it provides the expertise in food needed for the development of the Super K mart concept; it becomes the anchor for the super specialty mall envisioned by chairman Joseph Antonini; and it strengthens the chain's overall competitive position with Wal-Mart.

The timing of the acquisition is perfect for K mart as expansion in the lucrative but tough Northeast is just beginning to heat up, à la California a few years ago.

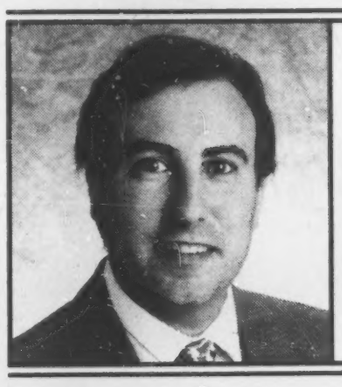
Good luck, Charles. I hope you're always smiling on those dreary rainy days.

BUYERS & SELLERS

Good Negotiators Understand the Big Picture

A recent conversation I had with Michael Patrick, director of business development for MOHR Development, a Stamford, Conn.-based consulting firm that designs retail training programs, illuminated some of the changes that are occurring in the buyer/vendor relationship.

Patrick has worked with a number of retail chains, including Ames, Caldor, Bradlees and T.J. Maxx. "When people used to think about negotiation, they thought that the best negotiators were the people with the biggest clubs," he said.



DON LONGO
Exec Editor

Retail and vendor mergers in recent years have caused firms to reevaluate their negotiating tactics. "Negotiation is not beating someone up. Sure sharp pricing is important, but the vendor must understand that a partnership is important to the retailer for making a profit. Meanwhile, the retailer must recognize that vendors are also running a business . . . Profitability must not be at the expense of the vendor."

Patrick said buyers should look beyond just statistical measures when assessing vendors. "You want to know the quality of his assortment, how flexible he is. You're looking at other things, like Quick Response capabilities."

Superior negotiators are the people who understand the bigger picture of their company so they could negotiate toward achieving the broader company goals, such as building a certain image or targeting a specific type of customer. One way of encouraging this would be to change performance evaluations of buyers to be more comprehensive. "Don't just look at what their product line or lines contribute in terms of sales, profits, etc., but how well do their actions promote companywide objectives," said Patrick. "For the last five to eight years, the focus of buyers has been on points or gross margin dollars. Now, it's return on net assets."

Buyers who are good at building successful long-term relations developed these skills early in their careers, usually before they even became buyers. They were the ones who took initiative early on. Companies should encourage and reinforce these people.

Another major change affecting the buyer/vendor relationship is new technology. Retailers today are much more sophisticated. "The typical buyer today is not someone with just a good social relationship with the vendor. Now, the buyer is more prepared, more analytical. He . . . brings a higher level of understanding to the table."

All retailers have buyers who are among the best around, Patrick asserted. But the companies that have the best defined mission—and have communicated that mission to the purchasing level—have the best vendor relationships.

By fostering an atmosphere of communication and understanding, buyers and vendors will be better able to satisfy the most important person: the customer.

WASHINGTON REPORT

Pressure Builds to Restrict Gray Market Imports

For years now, foreign manufacturers of fancy-brand watches, cameras, cosmetics and other products have been trying to establish and maintain an anti-discounter distribution monopoly in the United States.

Indeed, their aim is to achieve such absolute control over the distribution of their products that they are able to force American consumers to pay 20 percent, 50 percent, and even 100 percent above the prices of identical products in other countries.

KEN RANKIN

Fortunately, when these foreign manufacturers get too greedy, the competitive forces of the free market swing into motion to correct the situation. Enterprising distributors can simply buy these products abroad at the overseas price, import them back to the United States, and even after paying shipping costs, sell them for substantially less than the original manufacturer (or its U.S. distribution subsidiary).

Of course, these "parallel importers" are not very popular among the foreign manufacturers trying to maintain a monopoly here. Indeed, the would-be monopolists have been urging the Treasury Department and the federal courts to outlaw what they characterize as "gray market" imports.

Fortunately for the discount store industry, these attempts have fallen flat. Treasury officials have refused to revoke long-standing Customs Service regulations permitting parallel imports. And the Supreme Court has shot down a key judicial challenge to gray market transactions.

But even though the foreign manufacturers have two strikes against them, they're still swinging for the fences. This time, though, they've enlisted the aid of some well intentioned but misguided members of Congress.

The latest lawmaker to come to the aid of the foreign producers is Rep. Benjamin Cardin (D-Md.). His new bill would enable foreign manufacturers to set up dummy corporations in this country to hold the U.S. trademarks for their products. These entities would then be allowed to enlist the aid of the Custom Service to block "unauthorized" parallel imports by independent distributors.

Worse yet, the foreign manufacturer's U.S. "stooge" subsidiary would also be entitled to seek court injunctions blocking gray market imports, and to obtain damages from parallel importers for any sales that they might have lost due to competition from the cheaper "gray market" products.

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